

Message Text

UNCLASSIFIED

PAGE 01 ROME 04170 212001Z

72

ACTION EB-07

INFO OCT-01 EUR-12 EA-10 IO-10 ISO-00 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01

NSCE-00 SSO-00 USIE-00 INRE-00 /110 W

----- 044866

O 211645Z MAR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 0175

INFO USMISSION EC BRUSSELS IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

USDEL MTN GENEVA IMMEDIATE

AMEMBASSY BERN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY STOCKHOLM IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

UNCLAS ROME 4170

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: ITALY TERMINATES PRIOR IMPORT DEPOSIT AND TAKES OTHER
CREDIT MEASURES

REF.: (A) ROME 3784

(B) ROME 3817

(C) ROME 3405

(D) ROME 1531

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 04170 212001Z

1. /SUMMARY./ INTERMINISTERIAL CREDIT COMMITTEE MET AND ISSUED PRESS RELEASE MARCH 21 IN WHICH FOLLOWING DECISIONS WERE TAKEN: (1) PRIOR IMPORT DEPOSIT WILL COMPLETELY TERMINATE EFFECTIVE MARCH 24; (2) PRESENT 15 PERCENT CREDIT CEILING APPLICABLE TO INDIVIDUAL BANKS WILL TERMINATE APRIL 1; (3) BANK OF ITALY WILL GIVE PREFERENCE IN REFINANCING TO BANKS WHICH HAVE LOWERED THEIR INTEREST RATES ON LOANS AND DEPOSITS AND TO BANKS WHICH HAVE INCREASED THE SHARE OF THEIR LOANS FOR FINANCING EXPORTS AND AGRICULTURE; AND (4) NEW SYSTEM FOR AUCTIONING ORDINARY TREASURY BILLS WILL BE INSTITUTED TO PERMIT NON-BANK INVESTORS TO PURCHASE THESE BILLS. MOTIVATION OF MEASURES IS DESCRIBED AS DESIGNED TO COMPLY WITH INTERNATIONAL COMMITMENTS AND TO SLIGHTLY RELAX CREDIT POLICY IN FACE OF ECONOMIC DOWNTURN.

/END SUMMARY./

2. /PRIOR IMPORT DEPOSITS./ IN FULFILLMENT OF COMMITMENTS MADE BY ITALY TO INTERNATIONAL ORGANIZATIONS (IMF AND EC) (REF A) AND IN RECOGNITION OF IMPROVEMENT IN ITALY'S BALANCE OF PAYMENTS POSITION, INTERMINISTERIAL CREDIT COMMITTEE DECIDED ON MARCH 21 TO TERMINATE, AS OF MARCH 24, 50 PERCENT PRIOR IMPORT DEPOSIT ON CERTAIN GOODS WHICH HAD BEEN INTRODUCED ON MAY 2, 1974. ITALIAN AUTHORITIES ALSO ARE HOPEFUL THAT ELIMINATION OF PRIOR DEPOSITS WILL BE HELPFUL IN HEADNG OFF RESORT TO TRADE RESTRICTIONS ON THE PART OF OTHER COUNTRIES. EFFECT OF MEASURE WILL BE GRAUDL RELEASE OF ABOUT 1,200 BILLION LIRE IN FROZEN DEPOSITS SIX MONTHS FROM DATE OF ORIGINAL DEPOSIT.

3. /INDIVIDUAL BANK CREDIT CEILINGS./ AS OF APRIL 1, CURRENT 15 PERCENT INDIVIDUAL BANK CREDIT CEILINGS WILL BE ELIMINATED (REF B). MEASURE IS DESIGNED TO FAVOR EXPANSION OF BANK CREDIT AND REDUCTION IN INTEREST LEVELS. REDUCTION IN INTEREST RATES ON DEPOSITS WOULD, IN TURN, MAKE INVESTMENTS IN MEDIU - AND LONG-TERM SECURITIES RELATIVELY MORE ATTRACTIVE TO PUBLIC.

4. /PREFERENTIAL REFINANCING./ FOR PERIOD OF THREE MONTHS, BANK OF ITALY HAS BEEN INTRUCTED TO GIVE PREFERENTIAL ACCESS TO RE-DISCOUNTING TO BANKS WHICH HAVE PERCEPTIBLY LOWERED THEIR INTEREST RATES ON LOANS AND DEPOSITS AND TO THOSE WHICH HAVE INCREASED THE SHARE OF THEIR LOANS GOING TO FINANCE EXPORTS
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 04170 212001Z

AND AGRICULTURE.

5. /AUCTION OF TREASURY BILLS./ BANK OF ITALY WILL NOW INTRODUCE NEW SYSTEM FOR AUCTIONING ORDINARY TREASURY BILLS WHICH WILL PERMIT PARTICIPATION IN AUCTION BY NONBANK BIDDERS AS WELL AS BY BANKS. MEASURE IS DESIGNED TO FACILITATE FINANCING OF TREASURY DEFICIT AND TO MAKE ADDITIONAL INVESTMENT INSTRUMENT AVAILABLE TO PUBLIC.

6. /COMMENT./ INTERMINISTERIAL CREDIT COMMITTEE CITES IMPROVEMENT IN ITALY'S FOREIGN ACCOUNTS AND DECLINE IN ECONOMIC ACTIVITY AS MAKING POSSIBLE AND DESIRABLE REVISION OF MONETARY AND CREDIT POLICY. HOWEVER, COMMITTEE CAUTIONS AGAINST DANGER OF AGGRAVATING FOREIGN IMBALANCE AND RATE OF INFLATION. PACKAGE OF MEASURES IS MEANT TO FACILITATE THE AVAILABILITY OF CREDIT AND REDUCE THE COST OF CREDIT AS WELL AS TO ENCOURAGE PUBLIC TO SHIFT THEIR INVESTMENTS FROM SHORT-TERM BANK DEPOSITS TO LONGER TERM SECURITIES. ELIMINATION OF INDIVIDUAL BANK CREDIT CEILINGS IS EVIDENTLY REFLECTION OF BELIEF THAT SUCH CEILINGS ARE NOT REQUIRED SINCE GLOBAL DOMESTIC CREDIT LIMIT (COMMITMENT TO EC) AND RECENT REVISION IN BANK RESERVE REQUIREMENTS (REF D) RENDER THIS THIRD CREDIT TOOL UNNECESSARY. FURTHERMORE, ECONOMIC DOWNTURN AND BALANCE OF PAYMENTS IMPROVEMENT MAKE RELAXATION OF CREDIT POLICY DESIRABLE FOR ANTI-CYCLICAL REASONS. PREFERENTIAL REFINANCING FOR BANKS WHICH REDUCE THEIR INTEREST RATES REPRESENTS CLEAR EFFORT BY GOVERNMENT TO PRESSURE BANKS AND BANK CARTEL TO RELAX INTEREST RATES ON BANK LOANS FURTHER THAN BANKS HAVE BEEN WILLING TO DO SO FAR (REF C). PREFERENTIAL REFINANCING OF EXPORT CREDIT AND AGRICULTURAL CREDIT IS CONTINUATION OF RECENT CREDIT POLICY FAVORING THESE SECTORS. DECISION BY MONETARY AUTHORITIES TO PERMIT NON-BANKS TO PARTICIPATE IN AUCTIONING OF TREASURY BILLS REPRESENTS CONTINUING BOI ATTEMPT TO ESTABLISH MORE EFFECTIVE MONEY MARKET IN ITALY.VOLPE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT CONTROLS, COMMITTEE MEETINGS, PRIME INTEREST RATES, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME04170
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750100-0034
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750327/aaaaaydl.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75
Review Action: RELEASED, APPROVED
Review Authority: woolflhd
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2003 by greeneet>; APPROVED <30 DEC 2003 by woolflhd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALY TERMINATES PRIOR IMPORT DEPOSIT AND TAKES OTHER CREDIT MEASURES
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006